

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Goodwill Industries of San Joaquin Valley, Inc. (Goodwill Industries or Borrower)	Amount Requested:	Not to exceed \$1,820,000
Applicant Description:	A nonprofit 501(c)(3) agency that provides job training and placement services to assist people with employment barriers to become self-sufficient.	Date of Board Meeting:	October 27, 2009
		Resolution Number:	09-41
Project Site:	3900 Sisk Road, Modesto, CA	Prepared by: Andrea Kennedy	
Project Description:	The project consists of the acquisition of a 62,726 square foot parcel of land and a 14,652 square foot building to house a thrift store and job training facility.		
Uses of Bond Proceeds:	Bond proceeds will be used to pay off a taxable loan with Farmers & Merchants Bank of Central California used for the acquisition of the property.		
Public Benefits:	Ten new full time jobs and 8 part time jobs have been created by the new facility. The new, larger Modesto facility is expected to address a projected 29% increase in demand for 2009. The project is reusing a vacant 14,652 square foot vacant facility in a major shopping center that has experienced several major retail closures. Tax-exempt financing will result in reduced operating costs, thereby increasing revenue to support expanded services to the target population.		
Financing Structure:			
Type of Issue:		Privately-placed, fixed-rate securities in minimum initial denominations of \$400,000, or any integral multiple of \$5,000 in excess thereof.	
Tax Status:		Tax-exempt 501(c)(3) bonds	
Term:		15 years.	
Credit Enhancement:		None.	
Credit Rating:		None.	
Est. Sources of Funds:		Est. Uses of Funds:	
Par amount of the 2009 Bonds	\$1,820,000	Project Fund	\$2,800,000
Capital Contribution	1,075,000	Costs of Issuance	95,000
TOTAL SOURCES	\$2,895,000	TOTAL USES	\$2,895,000
Financing Team:			
Bond Counsel:		Kutak, Rock LLP	
Financial Advisor:		Growth Capital Associates, Inc.	
Purchaser:		Farmers & Merchants Bank of Central California	
Trustee:		Deutsche Bank National Trust Company	
Staff Recommendation:			
Staff recommends approval of Resolution 09-41 for an amount not to exceed \$1,820,000 for the Goodwill Industries of San Joaquin Valley, Inc.			

BACKGROUND AND HISTORY

Goodwill Industries of San Joaquin Valley, Inc. (Goodwill Industries or Borrower) is a nonprofit agency that provides job training and placement services to assist people with employment barriers to become self-sufficient. Goodwill Industries implements its mission by operating retail stores and contract businesses that provide on-the-job training and by operating other job training and placement programs. Goodwill Industries is especially committed to serving people with disabilities.

The concept for Goodwill Industries International (Goodwill Industries' parent organization) began over 100 years ago when Edgar J. Helms, a Methodist minister in Boston, MA, was asked for food and clothing by a group in need. Instead of asking donors for money, he requested donations of clothing and other items. He then hired those in need – many considered unemployable - to repair any damaged items, and then sell the donated goods. From that first effort to provide people with the means to earn a paycheck, Goodwill Industries International has evolved into the world's largest nonprofit provider of employment, training and career services for people with disabilities and vocational barriers.

Goodwill Industries was established in 1937 with its first retail store in Stockton. There are currently 15 retail and/or donation centers in the San Joaquin Valley and three training centers, located in Fresno, Modesto and Stockton, providing on-the-job training and placement services to assist people with employment barriers to self-sufficiency.

All proceeds from Goodwill Industries' retail operations help fund job services. Approximately 70% of the funding for Goodwill Industries' training programs comes from the donated goods stores.

Goodwill Industries' three job training centers offer training and placement in a variety of career services, specifically, in office technology, janitorial, retail, employment preparation and job retention skills. Placement services include job search workshops, individual placement assistance and use of computers to prepare resumes and access Internet job sites. Goodwill Industries places employees with local hospitals, medical clinics, retailers, school districts, and distribution centers.

In addition, Goodwill Industries utilizes janitorial and landscaping contracts with the IRS, Air National Guard, CalTrans and USDA to provide full time jobs for people with severe disabilities.

Goodwill Industries directly employs more than 275 individuals and generates over \$7.5 million in payroll and benefits for the San Joaquin Valley. Employment opportunities range from sales clerks to executive management. Goodwill Industries store locations include Lodi, Stockton, Manteca, Tracy, Modesto, Merced, Turlock, Fresno, Clovis and Visalia. Goodwill Industries offers a comprehensive benefits package including medical insurance, dental insurance, vision care, life insurance, paid vacation, paid sick leave, holiday pay, and a 401(K) plan.

Goodwill Industries has also expanded into the recycling and reuse business as new technologies have presented new opportunities. Goodwill Industries is a state-certified collector of electronics containing cathode ray tubes, including computer monitors, televisions, laptops, cell phones and printer cartridges. All Goodwill Industries stores accept electronic items and equipment for recycling free of charge. These hazardous materials are not sold, but are collected, safely deconstructed and recycled by a state-certified recycler. In 2007, Goodwill Industries estimated that 711,000 pounds of electronic waste and 383,000 pounds of cardboard were recycled.

In 2007, the I-Bank issued \$3,500,000 of Fixed Rate Revenue Bonds (Goodwill Industries of San Joaquin Valley, Inc. Project), Series 2007 (2007 Bonds). The proceeds of the 2007 Bonds were used for the acquisition and improvement of 12,900 square feet of commercial space and adjacent parking on a 1.7-acre parcel in Manteca. The 2007 Bonds remain outstanding in the amount of \$3,455,000 and the Borrower is current making its payment on the 2007 Bonds.

Goodwill Industries is requesting the I-Bank approve the issuance of the California Infrastructure and Economic Development Bank Fixed Rate Revenue Bonds (Goodwill Industries of San Joaquin Valley, Inc. Project) Series 2009 in the aggregate principal amount not to exceed \$1,820,000 (the 2009 Bonds).

GOVERNANCE AND MANAGEMENT

Goodwill Industries' Board of Directors (Board) is comprised of 16 members, whose term length is one year, expiring on December 31st annually. There are no term limits and members of the Board can serve consecutive terms. The Executive Committee is comprised of eight members who are empowered to act on behalf of the Board between full Board meetings, which are held bi-monthly.

The current members of Goodwill Industries' Board of Directors are listed in Appendix A.

PROJECT DESCRIPTION

Proceeds from the 2009 Bonds will be used pay off an existing taxable loan with Farmers & Merchants Bank of Central California which was used for the acquisition of a 14,652 square foot building on a 62,726 square foot parcel to house a thrift store and job training facility.

The property was purchased on August 7, 2009 from Ethan Allen Retail for \$2.8 million with an interim taxable loan through Farmers & Merchants Bank of Central California. Ethan Allen Retail had closed the store in February 2009. The Borrower has made an equity contribution of \$1 million to offset the acquisition cost of the building and has paid for all the tenant improvements.

The Grand Opening for this second Modesto store was held on October 10, 2009.

FINANCING STRUCTURE

The Borrower is requesting approval for the issuance and sale of the 2009 Bonds as fixed-rate tax-exempt bonds in an amount not to exceed \$1,820,000. The 2009 Bond proceeds will be loaned to the Borrower pursuant to a loan agreement (Loan Agreement) with up to a 15-year term (Loan). The Bonds will be privately placed with Farmers & Merchant Bank of Central California (Purchaser), a Qualified Institutional Buyer (QIB) as defined in Section 144(A) promulgated under the Securities Act of 1933, as amended.

Principal and interest due pursuant to the Loan Agreement shall be paid solely from the revenues to be received under the Indenture, which are primarily from the Borrower's payments under the Loan. In no event shall the Loan be deemed to constitute a debt or liability or obligation of the State or any political subdivision thereof except the I-Bank, or a pledge of the faith and credit or taxing power of the State or any political subdivision thereof, but shall be a special obligation of the I-Bank payable from Loan repayments payable by the Borrower to the I-Bank.

In accordance with the I-Bank "Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities," (Policies) the I-Bank's general policy is to issue bonds bearing certain minimum ratings. The Policies provide that the Board may waive the requirement for a credit rating where the applicant will use a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor.** The investor(s) will be required to sign a "sophisticated investor" letter acceptable to the Infrastructure Bank. Each investor must be a qualified institutional buyer within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the Infrastructure Bank.
2. **Resale Limitations.** Depending on the circumstances of the proposed sale, the Infrastructure Bank may require conditions for the resale of the Bonds after initial issuance.
3. **Minimum Denomination.** The Infrastructure Bank will require a minimum bond denomination of at least \$100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

The financing structure of the 2009 Bonds is a private placement and requires the Board to waive the Policies' credit rating requirement and impose certain conditions on the financing. Specifically, pursuant to the terms of the financing documents for the 2009 Bonds, the Purchaser will sign a sophisticated investor letter (Letter) at closing certifying, among other things, that: (i) it is a Qualified Institutional Buyer or Accredited Investor, as appropriate; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Loan and that it is able to bear the economic risks of such investment; and, (iii) it will prohibit the resale of its investment in the Bonds, except to another QIB or an Accredited Investor signing a Letter. The Purchaser will also certify in a Letter that it understands

there is no liability on the part of the I-Bank or the State to make any payment on the Loan other than the I-Bank's limited obligation to make payments from revenues received from the Borrower.

PUBLIC BENEFITS

The Policies require the Project to provide clear evidence of a defined public benefit. The Project is expected to provide benefits in the areas of new jobs and an increase in Goodwill Industries services.

Specifically, 10 new full time jobs and 8 new part time jobs were created when the store recently opened. This job creation is crucial since the Project is located in an area with an unemployment rate of 15.3 percent as of September 2009 compared with the year-ago figure of 10.3 percent.

Additionally, the Project establishes a second retail and training facility in Modesto that will allow the Borrower to serve more people in the area. In 2008, Goodwill Industries served 4,731 individuals an increase of 72% from 2007. The new Modesto facility is 2,000 square feet larger than the existing Modesto facility and is expected to handle a projected 29% additional increase in demand for services in 2009 that the first facility alone will not be able to accommodate.

The Project is reusing a vacant 14,652 square foot vacant facility in a major shopping center that has experienced several major retail closures. The site is strategically located in a power center along State Highway 99 in Modesto's main retail corridor.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits are required and have been obtained.
TEFRA	
Date of TEFRA	August 24, 2009
Publications	<i>The Sacramento Bee</i> <i>The Modesto Bee</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. The Project is in the State of California. 2. Borrower is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan repayment obligations which secure the 2009 Bonds, based upon the Purchaser's commitment to purchase the Bonds. Payments to be made by the Borrower to the I-Bank under the proposed loan agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the 2009 Bonds. 3. The proposed financing is appropriate for the Project. 4. The Project is consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 09-41, for an amount not to exceed \$1,820,000, for the Goodwill Industries of San Joaquin Valley, Inc.

APPENDIX A

GOODWILL INDUSTRIES OF SAN JOAQUIN VALLEY, INC. BOARD OF DIRECTORS

Officers of the Board of Directors

Jim Anthony, Chair
Kristen Birtwhistle, Vice Chair
Mark Goldberg, Treasurer
Hedy Holmes, Secretary

Members of the Board of Directors

Karen Andersen
Jane Butterfield
Joe Dittmann
Donald Geiger
Bob Harmon
Hal Monroe
Mark Plovnick
Raul Rodriguez
Joseph Serra
Dave Vaccarezza

GSC BOARD OF DIRECTORS

Officers and Members of the Board of Directors

James Gorman, Chair
Susan Drake, Vice Chair
David Miller, President and CEO
Anna Lovecchio, Secretary/Treasurer
Karen Andersen, Member
Bob Harmon, Member

GOODWILL FOUNDATION BOARD OF DIRECTORS

Kelly Amato
Jane Butterfield
Donald Geiger
Christy James, Secretary/Treasurer
Kathleen Lagorio Janssen
David Miller, President
Karen Munro
Toni Raymus

APPENDIX B – PROJECT PICTURES

